AMCOM-Industry Contract Summit 2010

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Beginnings

- ★ RFI to Industry
- ★ Government Off Sites with Contracting Officers, Functional Experts and Requiring Activities
  - LEAN Process Used
    - Future Search
    - Global Events
    - Local Events
    - Mind Mapping

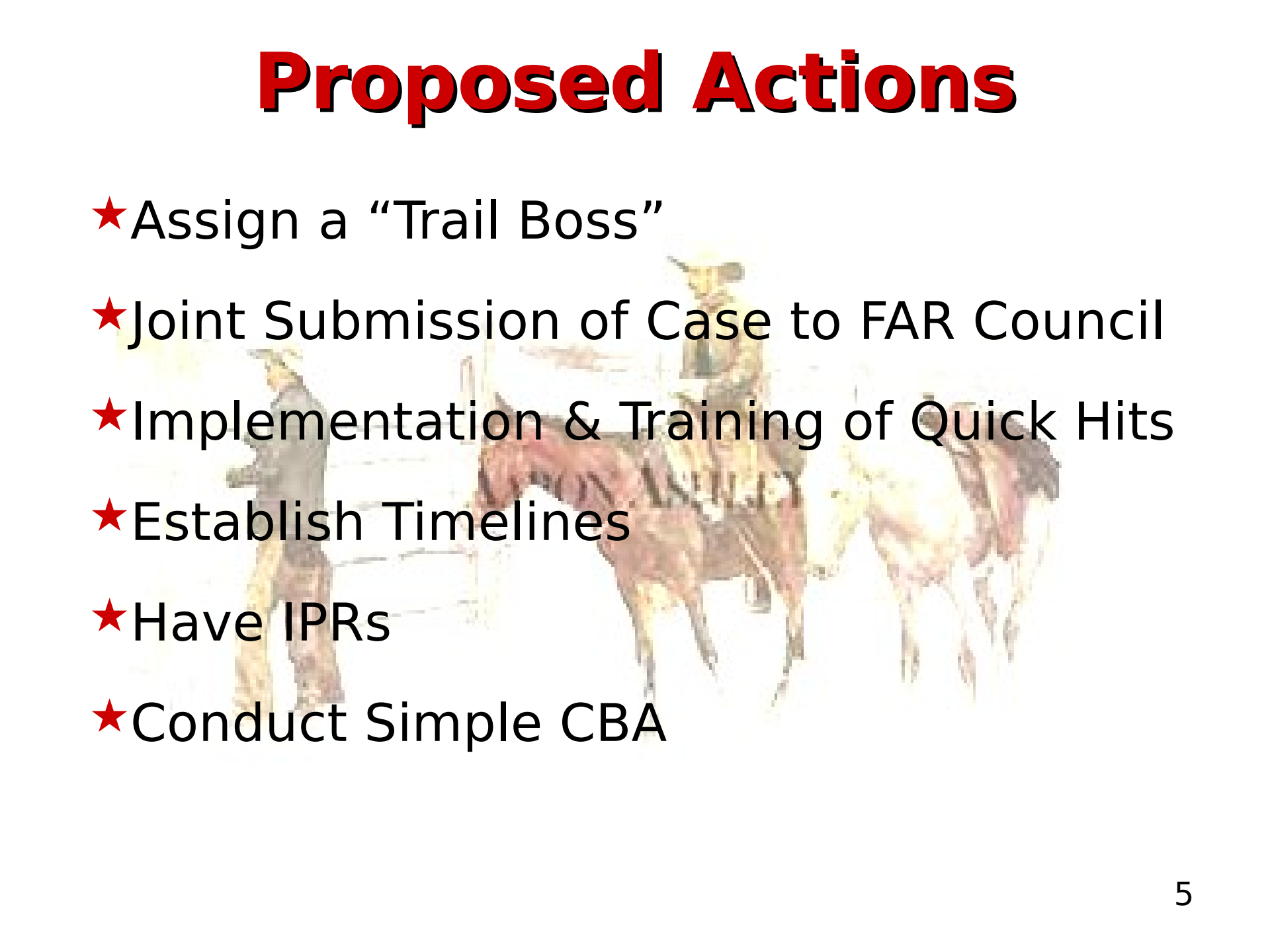
Government Challenges

- LCMC SFL Model
- Relationships with Customers
- Profit Negotiation with Contractors
- Approval Levels for Sole Source Over $50M by Army Acquisition Executive
- Education to Improve Process Flow
- Parametric Estimating
- Audit and Review Lengthy
- Commerciality = FAR Part 12
- Color of Money

Industry Issues

- Profit/Fee Versus Risk
- Better Predictive Information for Requirements
- Inconsistent Contract Clauses and Business Processes Across the Services
- First Article Tests for OEMs
- Unnecessary CDRLs
- Modular Design Spiral Development
- Price Based Acquisition/FAR 12
- Funding Stability
- Incentives for Contractor Investments
- Joint and Shared Metrics

Proposed Actions



- ★Assign a “Trail Boss”
- ★Joint Submission of Case to FAR Council
- ★Implementation & Training of Quick Hits
- ★Establish Timelines
- ★Have IPRs
- ★Conduct Simple CBA

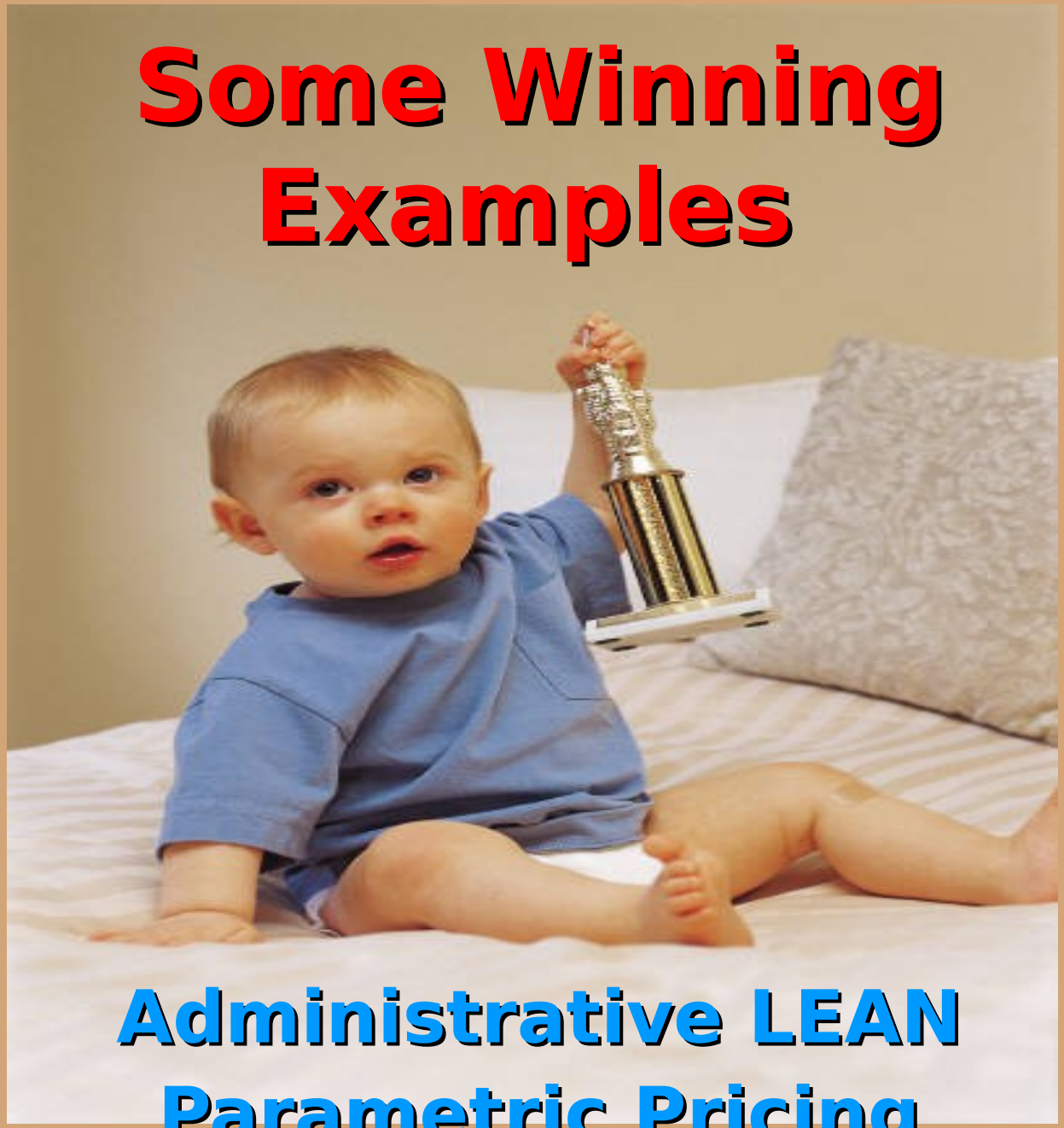
Suggestions

- Program Level Protocols
- Web Based Intranet Portal
- Share Metrics Soonest
- Define Alpha Contracting
- Joint Training and Sharing of Processes
- Review the “Real” Impact of Incentive Structures and Balance Needs

Next Steps

- Publicize Comments, Recommendations, Conclusions
- Continue Research
- Establish Trail Bosses
- Implement Quick Hits
- Implement and Joint Training on More Complex Actions

Some Winning Examples



Administrative LEAN Parametric Pricing

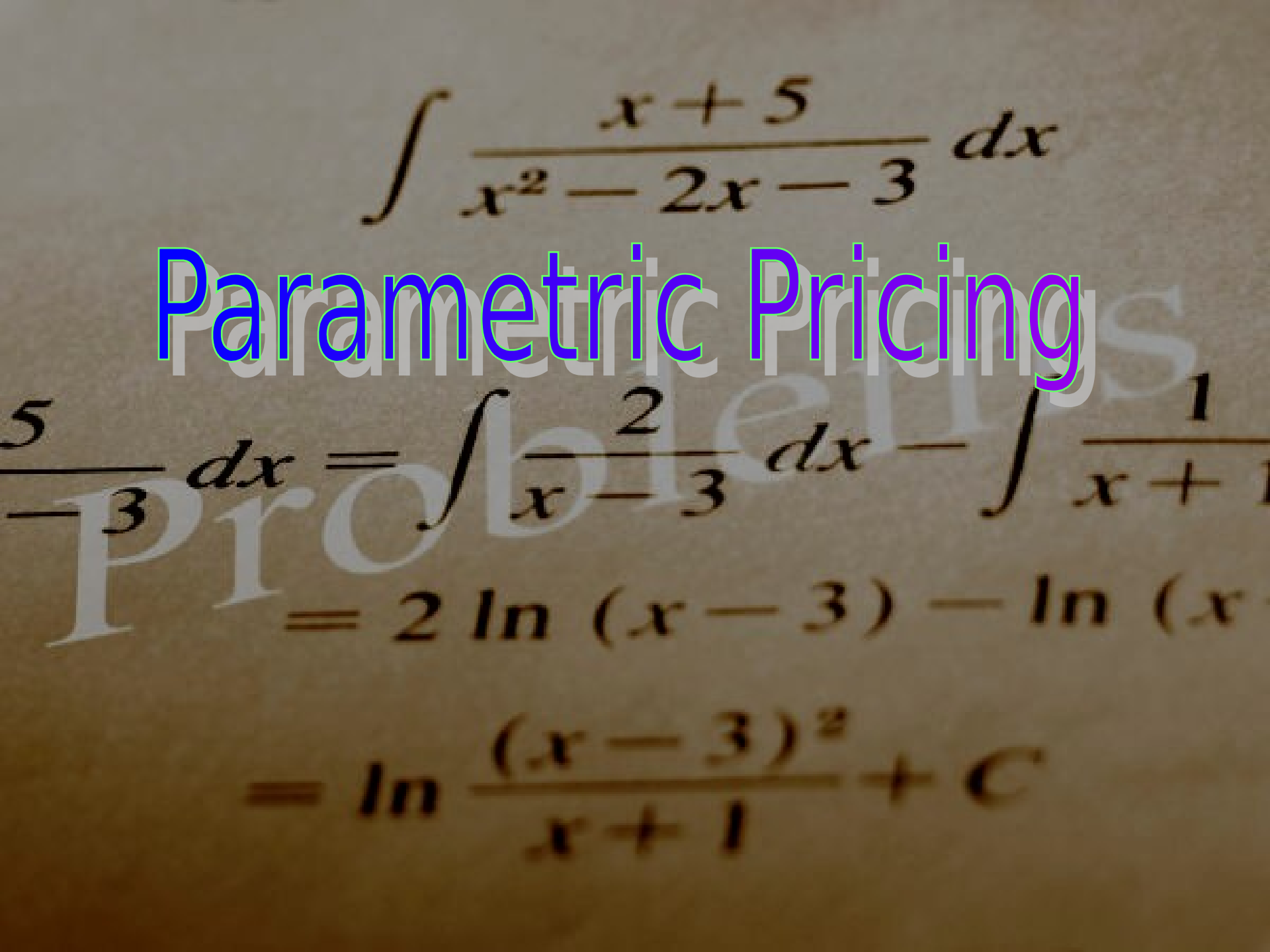
AMCOM

- Spares Analysis Using Value Stream Mapping
  - Initiation of Requirement to Contract Award
- Established Tasks, Kaizen Events and Projects to Reduce Administrative Lead-time
- Eliminated 51 Days
  - Legal Review
  - Rework
  - MOA with DCAA
  - Commerciality Determination

AMCOM-BOEING LEAN

- Reduce Proposal Lead-time
- Used VSM
- Results:
  - Electronic Submission of Sole Source Requirements
  - E-mail on Simplified RFPs
  - Spares Established Standard Fee
  - Process for Quantity Breaks

- In Process
  - Parametric Estimating Pricing
  - Supplier Agreements
  - Joint Proposal Team Management


Parametric Pricing
Problems

Parametric Pricing Initiative

Establish with DCMA, DCAA, Boeing and Army Pricing Methodology within all Statutes and Regulations

- ★ Protect Industry
- ★ Protect Taxpayer
- ★ Fair and Reasonable Prices
- ★ Reduce Time to Award Contract

What we are doing

- Weekly Telecon
- Update Existing Boeing Automated Pricing Programs
  - DCAA to Validate Model with Contracting Office
  - Run Comparison Proposals
- Certification
  - Historical Pricing Data
  - Formula or Regression Models
  - Further Definition of Disclosure

Validation of Model

- ★ Accuracy of Input
- ★ Consistent Process
- ★ Quantity Curves
- ★ Regression Factors
- ★ Purchase Orders, Quotes, BOM
- ★ Data on Labor

BOM Issues

- ★ Cost Drivers
- ★ New Build, No History
- ★ Negotiation of Subcontractors' Quotes
- ★ When is Data Certified vs. Updates
- ★ Long term Supplier Agreements
- ★ Definition of Certification

Challenges

- ★ Documentation of Negotiations
- ★ Conflicts Resolution of Prices
- ★ Define Operating Procedures
- ★ Certification and Defective Pricing
- ★ FAR Revisions?

Questions?